

IC 27-14-5

Chapter 5. Restrictions on Capital and Other Stock

IC 27-14-5-1

MIHC to retain majority of voting stock

Sec. 1. After the effective date of the plan of reorganization, the MIHC must at all times have the direct or indirect:

- (1) power to cast at least fifty-one percent (51%) of the votes on all matters submitted to a vote of the holders of common stock (or any other class of stock entitled to vote generally on matters submitted to security holders for a vote, including the election of directors) of each reorganized insurer and any stock holding company of the MIHC; and
- (2) ownership of shares of stock entitled to:
 - (A) receipt of at least fifty-one percent (51%) of all dividends declared on common stock of each reorganized insurer and any stock holding company of the MIHC; and
 - (B) receipt of at least fifty-one percent (51%) of the net proceeds to common stockholders upon any dissolution of each reorganized insurer and any stock holding company of the MIHC.

As added by P.L.5-2000, SEC.4.

IC 27-14-5-2

Limits on aggregate number of shares owned by directors and officers

Sec. 2. (a) As used in this section, "CPI adjustment" means the percentage increase or decrease in the Consumer Price Index for Urban Wage Earners and Clerical Workers published monthly by the United States Bureau of Labor Statistics or any successor index published by the United States, as of the end of each calendar year, commencing January 1, 1999.

(b) The CPI adjustment referred to under subsection (c) shall be made by the commissioner as of January 1, 2000, and each year thereafter, based on the CPI adjustment for the preceding year.

(c) The aggregate number of shares of equity securities owned by all of the directors and officers of the MIHC and its affiliates and associates, excluding any shares acquired by or held for the benefit of the officers and directors and their associates through an employee benefit plan as permitted by IC 27-14-4-6(1) and section 5 of this chapter, may not exceed the following:

- (1) Fifteen percent (15%) of the total number of outstanding shares of equity securities of each reorganized insurer and any stock holding company if the total surplus of the MIHC and all of its reorganized insurers is greater than one billion five hundred million dollars (\$1,500,000,000), as adjusted annually by the CPI.
- (2) Twenty percent (20%) of the total number of outstanding shares of equity securities of each reorganized insurer and any stock holding company if the total surplus of the MIHC and all of its reorganized insurers is greater than seven hundred fifty million

dollars (\$750,000,000), as adjusted annually by the CPI, and less than or equal to one billion five hundred million dollars (\$1,500,000,000), as adjusted annually by the CPI.

(3) Twenty-five percent (25%) of the total number of outstanding shares of equity securities of each reorganized insurer and any stock holding company if the total surplus of the MIHC and all of this reorganized insurers is greater than two hundred fifty million dollars (\$250,000,000), as adjusted annually by the CPI, and less than or equal to seven hundred fifty million dollars (\$750,000,000), as adjusted annually by the CPI.

(4) Thirty percent (30%) of the total number of outstanding shares of equity securities of each reorganized insurer and all of its reorganized insurers is less than or equal to two hundred fifty million dollars (\$250,000,000), as adjusted annually by the CPI.

As added by P.L.5-2000, SEC.4.

IC 27-14-5-3

Limit on aggregate number of shares owned by single director or officer

Sec. 3. The aggregate number of shares of equity securities owned by:

- (1) a single director or officer of the MIHC or any subsidiary of the MIHC;
- (2) associates of the person referred to in subdivision (1); and
- (3) persons acting in concert with the person referred to in subdivision (1) or (2);

may not exceed five percent (5%) of the total number of outstanding shares of equity securities of each reorganized insurer and any stock holding company excluding any equity securities acquired by or held for the benefit of the officers and directors and their associates through employee benefit plans as permitted by IC 27-14-4-6(1) and section 5 of this chapter, but including any equity securities beneficially owned by officers and directors and their associates under employee benefit plans as provided in IC 27-14-4-6(2).

As added by P.L.5-2000, SEC.4.

IC 27-14-5-4

Fees or commissions for issuance of stock prohibited

Sec. 4. A director, officer, agent, or employee of the MIHC or its subsidiaries, or an associate of a director, an officer, an agent, or employee, may not receive a fee, commission, or other valuable consideration for aiding, promoting, or assisting in the issuance of stock under this section, except for:

- (1) compensation as provided for in the plan and approved by the commissioner;
- (2) the person's usual, regular salary or compensation; or
- (3) reasonable fees and compensation paid to an individual who is an attorney, accountant, actuary, or financial adviser for services performed in the individual's independent practice, even if the individual is also a director, an officer, an agent, or an employee of the MIHC or its subsidiaries.

As added by P.L.5-2000, SEC.4.

IC 27-14-5-5

Limit on aggregate number of shares owned by employee benefit plan

Sec. 5. The aggregate number of shares of stock that may be purchased or held by an employee benefit plan may not exceed ten percent (10%) of the total number of outstanding shares of a reorganized insurer or any stock holding company.

As added by P.L.5-2000, SEC.4.

IC 27-14-5-6

Only publicly traded stock to be issued to directors or officers

Sec. 6. A reorganized insurer or stock holding company may not issue stock to directors or officers, or both, except stock of a class that is publicly traded.

As added by P.L.5-2000, SEC.4.

IC 27-14-5-7

Stock option or sale of stock below fair market value as compensation of officer or director prohibited

Sec. 7. A reorganized insurer or stock holding company may not:

- (1) grant stock purchase options or warrants, or otherwise use securities to provide compensation to directors or officers, or both, at a price less than the fair market value of the security on the date of the grant; or
- (2) sell securities to directors or officers, or both, at a price less than the fair market value of the security (except under the exercise of authorized stock options consistent with subdivision (1) and section 8 of this chapter).

As added by P.L.5-2000, SEC.4.

IC 27-14-5-8

Stock purchase options for directors or officers prohibited until six months after public trading begins

Sec. 8. A reorganized insurer or stock holding company may not grant stock purchase options to directors or officers, or both, until at least six (6) months after public trading for the stock has begun.

As added by P.L.5-2000, SEC.4.

IC 27-14-5-9

Factors in determining compliance with ownership restrictions

Sec. 9. (a) For purposes of determining compliance with ownership restrictions in this chapter, a person to whom a stock purchase option or warrant has been granted under this chapter is not considered to own the underlying securities until the stock purchase option or warrant is exercised and the securities have been issued.

(b) An increase in a person's percentage ownership of securities does not constitute a violation of the securities ownership restrictions in this chapter if the increase in percentage ownership results solely

from a decrease in the aggregate number of securities outstanding.

(c) An inadvertent ownership of securities that exceeds the securities ownership limitations in this chapter does not violate this chapter if:

(1) a sufficient number of securities are divested within thirty (30) days after the limitation was first known to be exceeded so that the limitation is no longer exceeded; and

(2) during the period when the limitation is known to have been exceeded, the owner of the securities:

(A) does not vote any securities in excess of the limitation; and

(B) does not accept a dividend in respect of any securities that exceed the limitations.

As added by P.L.5-2000, SEC.4.